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Attitudes to Further Education Loans

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Prepared by TNS-BMRB

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Introduction

Aims and objectives of the study

TNS BMRB has been commissioned by BIS to conduct research that will:

- Inform impact and equality assessments regarding the introduction of loans to fund Further Education (FE) courses; and
- Provide insight into learners' behaviour and how to influence it so that the transition to FE loans is successful and its impact on learners' choices and options is minimised.

This report presents findings from the project as a whole.

Research approach

Research stages

The research was conducted in two stages. Stage 1 involved:

Qualitative research comprising 18 mini-groups of four people, in which we explored the drivers, triggers, barriers and influencers that could be leveraged or overcome by messaging and communications. To this end, we examined learners' attitudes, behaviours, aspirations and views around education, debt and other relevant areas; and we introduced the FE loans concept and its constituent elements as factual information, to assess the effect of these 'cold' facts on learners' attitudes and likely plans. This stage of the research focused specifically on the likely impact of FE loans on learners' behaviour regarding future study and employment, when introduced in this way.

A quantitative survey estimating levels of demand and take-up among different learner groups, providing findings to complement the qualitative research. A sample was selected from the ILR and these individuals were sent letters inviting them to take part in a 15 minute web survey. Letter, telephone and emails reminders were also used to increase response. There were some screening questions at the start of the survey to identify those who were intending to undertake further study in the near future. 405 likely future learners took part in the survey. As part of the survey a conjoint analysis was used to test different attributes of loans and to examine likely loan take up.

Stage 2 involved:

Qualitative research comprising 18 group discussions of eight people and 2 mini groups of four people. This work was intended to build on the insight from previous stages by providing greater understanding of learners' attitudes to FE loans, and by assessing and validating conclusions about messaging, incentives and other interventions and how these should be targeted and channelled. We developed general and targeted proposition messages which aimed to inform, motivate, allay concerns and highlight benefits; these were tested with respondents, who also suggested ways to refine and improve upon them.

Sampling

The qualitative groups in both stages were recruited to quotas on age, gender, social grade, qualification level and ethnicity, and were spread across urban and rural locations around the country (see Appendix 1 for further details). Those in Stage 2 were also divided between four 'quadrants' indicating respondents' motivations for undertaking Further Education, which were identified in Stage 1 (see section 2, below). The quadrants that had responded particularly negatively to the loans proposition in Stage 1 were allocated more groups to ensure these issues were explored in more detail in Stage 2. In addition, two groups of potential Advanced Apprentices were conducted separately, in recognition of the specific issues associated with this group, and their importance to BIS. Respondents for the qualitative research were recruited through free-find methods; recruitment was managed by TNS BMRB's in-house field team.

The quantitative survey was sampled from the ILR. The sample design aimed to identify those likely to be thinking of studying at level 3 who were aged 23 or over¹. Individuals who had completed a full level 2 course in the 2010/2011 academic year, and who were aged 23-64 were therefore selected. Some disproportionate selection was used with the aim of over-representing those with high IMD scores, and Muslims, as there was particular interest in how the introduction of loans would impact on these groups.

For further details on sample, please see the Technical Appendix (section 6).

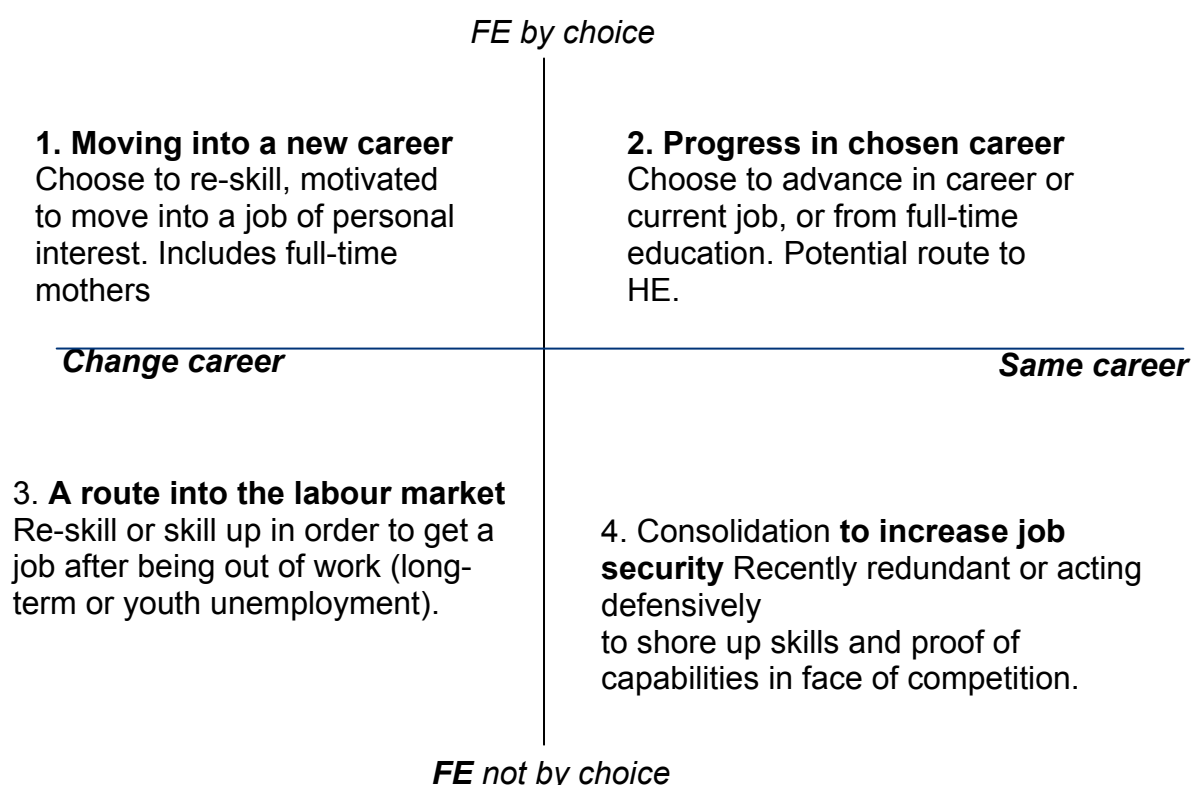
¹ It is people aged 24 and over, studying for level 3 courses and above that will be eligible for fees and loans. Those aged 23 and over were considered eligible for the survey, as they will be close to being in scope of the policy and able to respond realistically about how loans would affect their decision.

Motivations for learning

Motivations for FE: quadrants

Respondents' motivations and goals around FE study varied, but four groupings or quadrants emerged which help to describe attitudes to FE and responses to the loans proposition. The differences between learners' motivations, barriers and attitudes that inform these quadrants were identified in the analysis of the Stage 1 qualitative work; the quadrants formed the basis for the sample for Stage 2, and the differences between learners in them held true and so were validated to that extent. We were not able to use the survey to quantify these findings, so we do not advance the quadrants as a 'segmentation' as such; but while some demographics (age in particular) are also influential, they do seem to be a useful way to characterise the FE learner population in relation to the idea of FE loans, and to understand how to communicate with different parts of this very diverse audience.

The quadrants are defined by whether the learner had chosen or felt 'forced' to undertake FE, and whether their main aim was to stay in their current career or to move to a new one (or develop a new interest). They are illustrated below, and are then described in more detail.



Moving into a new career

These respondents aimed to enhance job satisfaction, develop a hobby, or fulfil a long-held ambition. Some saw FE as a route to a more personally rewarding vocation or (for full-time mothers) a return to work in a new career. They tended to prioritise job (or life) satisfaction over earnings, and hoped FE would broaden their horizons. These

respondents felt FE would help them gain a personal sense of achievement, esteem and even liberation from the home; these were all key drivers of their interest in studying.

"I have been in a job for so many years that I have been so unhappy in...I will now have the opportunity to do something that I know I will be happy in."

(Female, 30-39, deprived, recent starter, London, Stage 1)

"It's easy to get into the cycle of doing stuff just to pay the bills, and you start to forget what you were there to do in the first place."

(Male, 40-49, more affluent, contemplating, Bristol, Stage 1)

The quantitative survey also found that gaining skills for a job they might want to do in the future was a common motivation for learners to undertake FE courses. Over half of learners said this was a reason they had done a previous course (57%) or were currently doing a course (59%), and two thirds (65%) said it was a reason they were considering further learning.

Progress in a chosen career

Respondents in this quadrant focused on advancing their current career, increasing earnings, gaining professional respect and increasing their business confidence. FE was a recognised or necessary step in this, or a means to move them towards Higher Education for vocations such as nursing and teaching. They expected financial rewards and greater responsibility as a result, although they recognised there was no explicit guarantee of this; more generally they saw FE as a way to 'open new doors', and 'move to the next level'. They were most inclined to see FE as a clear step forward with more or less guaranteed benefits.

"In your mid forties you think, this is my last chance to do something which hopefully will improve my future career options...a qualification would allow me to get a better job and more income."

(Male, 40-49, more affluent, contemplating, Bristol, Stage 1)

Most felt the returns on FE were uncertain where there is competition for jobs or university places, but did not feel they could achieve what they wanted without it. Women who had researched the job market and chosen courses in care and education were most confident that their FE course would get them the position they sought.

A route into the labour market

These respondents wanted to improve their job prospects through developing new skills, showing willingness to learn and apply themselves, proving strength of character and capacity for work, and gaining a qualification that could help get them an interview. Younger respondents in more deprived areas, older long-term unemployed men and those in 'dead-end' jobs often felt they had no choice but to take an FE course if they were to stand a chance of getting permanent skilled work. Older men in particular believed that their experience should qualify them for positions, but had found that without the right qualifications they were not even getting an interview. They also hoped that their enrolment on and completion of a course would be seen as proof of character, demonstrating commitment.

“Really I just need to do something, even if it means taking my GCSEs again...at least then I am trying. I can't say I am trying at the moment, in a dead end job.”
(Male, 24-29, deprived, actively considering, Nottingham, Stage 1)

“I was getting cocooned in my own environment. I had to get out and do something.”
(Male, 30-39, deprived, recent starter, Bristol, Stage 1)

Consolidation to increase job security

Respondents saw an FE qualification as a protective measure to safeguard their position at work and to shore up job security. They hoped a qualification would provide a safety net that would give them a competitive edge within the workplace and job market – something to fall back on if their post was ever in question or made redundant. Many aimed specifically to improve their employers' recognition of them, by supplementing their experience with a formal certificate as proof of skills or to update them. Unlike those who wanted to progress, effectively they felt forced to consider FE as a way of staying as they were, or to bounce back from redundancy quickly.

Gaining skills for a current job was also a common motivation for learning in the quantitative survey. Although it was not clear whether learners were looking to progress in their chosen career or doing courses to consolidate their position, over half (56%) of respondents had done their level 2 course for this reason, and nearly half of those already doing or considering learning said this was a reason for it (47% of those already doing further learning, and 42% of those considering further learning).

Other 'non-career' themes

Older men and full-time mothers described confidence, self-esteem and employability as interlinked motivations for undertaking FE. They saw FE as providing an impetus to leave the house and 'get back into the swing of things', helping to give their lives a clearer purpose and externally-facing goals. The quantitative survey also found that improving self confidence had motivated around a third of learners to undertake an FE course.

“FE is going to give me confidence, force me to be more focused.”
(Female, 20-39, deprived, recent starter, Newcastle, Stage 1)

Many parents also felt participation in FE would present them as a positive role-model for their children, hoping it would make their children proud and demonstrate the need to strive to achieve in life.

“I have 3 children; I don't want them seeing me doing nothing all day...they could end up like that.” (Male, 30-39, deprived, recent starter, Bristol, Stage 1)

The quantitative survey found that around half or more learners had done previous courses, or were planning or doing more FE, in order to gain a qualification (54% had done their previous course for this reason, 64% were doing a current course, and 58% were planning future learning for this reason). While many may have been aiming to get this qualification in order to help with their career, others may have had more personal reasons: interest in the subject was a common motivation for FE, as was using it as a stepping stone to future learning or training.

Trade-offs in deciding whether to pursue FE

The quantitative survey found that the key barrier to learning was cost – most notably the cost of course fees (for 75% of respondents), but also the cost of living while training (33%) and the cost of transport to get to a course (18%). The latter two were a particular consideration for those with lower incomes and for younger people (aged 23-29). Time was also a barrier for some, specifically time off work (24%) and lack of time due to family commitments (20%). And the location of courses made it difficult for 22%.

Stage 2 provided an opportunity to explore these and other specific trade-offs and potential barriers which respondents in each quadrant made when deciding whether to pursue FE; these are outlined below.

Move career

The key trade-off in this quadrant was the cost and value of the qualification compared to real experience, and time limitations – especially where courses were not essential to them. Within this group, a core of people were much more committed to making a change in their lifestyle, such as those aiming to return to work following a childcare break, or those seeking a new and more fulfilling career. These respondents were more prepared to make whatever sacrifices necessary to achieve their ambitions. They were more prepared than most to save in order to cover costs if needed, and to take whatever time necessary in order to realise these goals.

Progress in chosen career

The key barrier was the time needed for the course: the workload was an unknown quantity, so was hard to predict and plan for, and respondents were reluctant to embark on a course only to quit because the commitment was too great. Course costs also figured for this group, but were not the key determinant as respondents were fairly confident in the (eventual) monetary and professional value of the qualification they were aiming for.

Route into employment

The cost of a course, including the related expenses of travel and materials, was the key issue here. The value of the qualification compared to other forms of work experience available (or already acquired) was also an important consideration. Cost and value barriers seemed most likely to be overcome where respondents had been out of work for some time (perhaps a year or so), but not too long: they had come to the conclusion that experience was not enough to get a job, and a qualification was also needed; those who had been out of work for less time had not yet reached that conclusion, while the very long-term unemployed tended to be much more fatalistic about everything to do with work and education.

Consolidate position

The key trade-off for these respondents was gauging to what extent their employer recognised the value of the course – it only meant as much as an employer felt it did. Flexibility in timing and cost were also important, as the course was secondary to work commitments.

Language used

There was no universally shared language to describe courses or places of study among these respondents. Some terms were much more common than others, but none was fully agreed upon, and most carried connotations that some groups did not identify with.

Respondents struggled to find a single word or phrase to describe themselves in the context of Further Education, as they rarely needed to. Rather it was easier for them to reflect on words with which they did not identify. ‘Student’ was associated with a ‘stereotypical’ leisurely lifestyle of a young person in full-time education. ‘Learner’ was a neutral word, but respondents found it rather generic and tended to associate it with evening classes or courses for fun, rather than career progression; on the whole it neither jarred nor particularly chimed with anyone. ‘Trainee’ seemed too junior for most and was associated with low-paid work, as was ‘apprentice’ for those considering Advanced Apprenticeships.

‘College’ was commonly used to describe the activity of learning (i.e. “I’m going to college”); but most respondents objected to it as a *location* for this learning on the grounds that it implied a regression in going back to school. Those on applied courses or taking a course related to their job were more inclined to say they were ‘in training’, while others found this to be ‘corporate’. ‘In training’ or ‘adult education’ tended to chime more with older age groups. ‘Further education’ was probably the most often widely used term, and many felt it described their study better than other terms – although others were confused between this and Higher Education. The abbreviation ‘FE’ was hardly recognised, and never used.

“FE – what is that?”

(Female, 24-29, more affluent, progress in career, Nottingham, Stage 2)

Initial responses to the loan proposition

First reactions to ‘cold’ information

First thoughts

In the Stage 1 qualitative research, respondents were given the following statement to introduce the concept of FE loans:

“From 2013, FE courses at Level 3 (e.g. A level equivalent, BTEC awards, Diplomas and NVQs at Level 3) and above, for people aged 24 and above, will no longer be funded by the government. Instead, the cost of these courses will be covered by a loan, which the learner will need to repay later.”

This concept of loans was deliberately introduced without the full context and detail of the FE loans offer to understand how respondents viewed the idea of loans and debt. It also focused respondents in to thinking through in detail how they might react in the absence of further explanation or communications, and to get them critically to appraise the policy.

Respondents’ reaction to the idea of funding FE with ‘a loan’, introduced in this way, caused widespread dismay. Their initial reactions to the proposition were strongly informed by their associations with the word ‘loan’. The term immediately brought bank loans and credit arrangements to mind, with heavy, inflexible and exacting conditions – in particular, high rates of interest and high fixed rates of repayment.

Many respondents across the sample were averse to this type of loan, partly because they worried about falling foul of the conditions, and partly because they didn’t want the feeling that the loan or debt was ‘hanging over them’. The notion of debt in general and risks in any financial decisions were also problematic for many. Loans of this type were associated more with an immoral or unacceptable ‘credit culture’ than with good planning, and those who regretted previous irresponsible borrowing often assumed that their poor credit ratings now prevented further borrowing.

Loans were often thought acceptable for products of tangible and lasting value, such as a car or a house from which you would derive immediate, guaranteed and clear benefit, but not for anything of transient or uncertain value, such as a holiday. A small number of respondents spontaneously volunteered education as an example of an investment of tangible value; they were reasonably confident that it would bring them clear gains. But it was much more common for respondents to feel that the emotional and financial costs of a loan would outweigh the uncertain and in all likelihood deferred benefits of FE, and suggested that they would have to reconsider taking a course on this basis.

“It’s just a lot...with an NVQ I don’t know how far that gets you.”
(Female, 24-29, more affluent, actively considering, Brighton, Stage 1)

“You will have to owe that money for 20 years, or something.”
(Female, 40-49, more affluent, actively considering, Nottingham, Stage 1)

The fact that a loan would be needed where it previously had not been suggested to respondents that the overall costs of FE were going to be higher, which also caused some surprise and anger.

Many were also concerned about other people: those whose circumstances had prevented them from accessing education when younger; single mothers who depend on their own efforts to better their families; and the long-term unemployed for whom FE was considered a 'last chance'. They felt it particularly unfair that these people would apparently lose out or be hit especially hard.

*"What about the person without an education who wants a fresh start?"
(Female, 30-39, more affluent, contemplating, Nottingham, Stage 1)*

Several immediate questions arose:

- *How much would the courses cost?*
- *How long would you have to pay it back?*
- *What if you could not afford it?*
- *What about those with poor credit ratings?*
- *How would this affect people on benefits?*

Only a small minority of 'career advancers' did not immediately reject the idea, as they felt their course was their only way forward for their chosen career, so were unwilling to consider alternatives to FE and abandon their plans.

Attitudes to debt

The quantitative survey looked at attitude to debt more generally and found that the majority (83%) of these likely future learners had borrowed money in the past (using credits cards, mortgages, personal loans, overdrafts, hire purchase agreements etc); only 7% said they had not (the remainder did not wish to say). Around 2 in 5 had had difficulty paying back money they had borrowed in the past.

Three quarters of respondents were wary of debt, agreeing that once you get into debt it can be very difficult to get out of; however half also agreed that borrowing money from a bank or loan company is a normal part of today's lifestyle.

A third of these likely learners thought that 'owing money is always wrong'. However, some of the people who agreed with this were also open to the idea of taking out an FE loan (50% of those who agreed with this statement said they would probably or definitely take out a loan, under at least some circumstances, if there was a course they wanted to do – the same as the proportion of those who disagreed with the statement), suggesting that (at least for some potential learners) having an FE loan is not perceived as 'owing money'. Survey respondents were explicitly told that an FE loan would not be like a bank loan; this supports the qualitative finding that this understanding is key to responses to the FE loans concept (see section 3.4).

Informed reflections on the loan proposition

Having introduced the concept of a 'loan' to fund FE, respondents were then given more details of the features of the loans that are designed to make them fair and accessible.

The information subsequently shown to respondents in Stage 1 had to challenge and overturn strong negative associations rather than act in isolation. To a large extent, certain facts achieved this, and changed people's views. The realisation that the loan was linked to income rather than capital was decisive in changing perceptions of the proposition, and was the key factor in moving respondents' attitudes from negative to positive. Several 'aspects' drove this change, consistently across the sample:

- The £21,000 income threshold that triggers repayment: respondents were relieved that they would not be required to make payments without the means to do so (in particular, if they were to lose their job); this also dissociated the offer from 'bank' type loans;
- The rate of repayment: respondents were surprised at how low this was, particularly when calculated as daily, weekly and monthly payments. They saw repayments as easily affordable, manageable or not even noticeable at this rate. Importantly, they felt would not need to revise their budgets or sacrifice other spending. Quantitative findings also support this: there was a strong preference for paying back a small proportion of one's income, rather than a set amount each month (no matter what they were earning);
- An interest rate of 3% plus inflation: this changed the loan from a burden that would hang over you until repaid into something more benign and non-threatening. Muslim respondents were comfortable with this rate of interest themselves, but felt it would deter some people. For them, the bigger issue was their inexperience with loans – very few had taken out a loan before, but the 3% figure was not in itself considered a barrier. (Although it should be noted that the sliding interest rate plus inflation was difficult to explain to respondents, and is likely to be difficult to communicate succinctly – see below.) Interest was also very important to respondents in the quantitative survey, who were much more attracted to the idea of an interest free loan. Any amount of interest was highly off-putting to respondents. This is likely to be, at least in part, due to the difficulty of explaining the interest rate in a short web survey, and further highlights the difficulties in communicating this to potential learners.

These attributes suggested to respondents that they were protected from the threatening, rigid criteria attached to a bank or 'credit' loan, and from the emotional burden of having the loan 'hanging over them'. The information also seemed to remove the 'gamble' associated with loans for FE study, suggesting that they would not need to make repayments unless they benefited from the course (£21,000 seemed an appropriate income threshold in this sense, as many were earning less than this, especially in the north of England).

The quantitative survey also found that the 'most important element in potential learners' decisions about whether or not to take out a loan was the benefits they would get from doing the course – particularly employment related benefits. Where respondents could see tangible benefits that were likely to result from the course they were much more likely to say they would be willing to take out a loan to fund it.

Loans take up

An aim of the quantitative survey was to estimate how many potential learners would take a course and take out a loan if FE loans were introduced. Table 3.1 below shows the

proportions that would definitely, probably etc take a course and take out a loan. It should be noted that these findings are from Stage 1 of the research, before there had been any development of messages around loans, and the proportions may be increased as a result of communications based on findings from Stage 2. However, the survey measures are useful in showing how potential learners would react to loans without the opportunity to explain the features of loans to them in detail.

Overall Table 3.1 shows that 74% of those likely to study at Level 3 aged 23+ said that they at least might take a course, and just over half (58%) at least might take out a loan to do this.

Table 3.1 - Proportion that would probably, definitely etc take a course/take out a loan

	Take a course (n=351) %	Take out a loan (n=316) %
Definitely would take a course/take out a loan	11	10
Probably would take a course/take out a loan	26	19
Might take a course/take out a loan	37	29
Probably wouldn't take a course/take out a loan	23	33
Definitely wouldn't take a course/take out a loan	3	9

Base: All respondents with sufficient information to be included in the data model for courses (351) and loans (316)

A subgroup of those who took part in the survey said that they were definitely planning on doing some learning in the next 2 or 3 years, and this group were more likely to say they would take a course (78% at least might) and were more definite about their willingness to take out a loan once the loan concept had been introduced, as shown in table 3.2 overleaf.

Table 3.2 - Proportion of those who said they definitely would do some learning in the next 2 to 3 years that would probably, definitely etc take a course/take out a loan

	Take a course (n=149) %	Take out a loan (n=140) %
Definitely would take a course/take out a loan	15	12
Probably would take a course/take out a loan	29	21
Might take a course/take out a loan	34	25
Probably wouldn't take a course/take out a loan	19	31
Definitely wouldn't take a course/take out a loan	3	11

Base: All respondents who said they would definitely do some learning in the next 2 or 3 years who had sufficient information to be included in the data model for courses (149) and loans (140)

Groups that appeared more open to the idea of loans

The section above looks at expected loan take up for FE loans under the conditions they are currently planned to have. In the survey this was defined for respondents as:

- Not being like a bank loan (no credit checks, all are eligible)
- Not needing to be paid back until they are working and earning over £21,000
- Monthly repayments being a small proportion of earnings over a certain level (e.g. £30 a month if earning £25,000 a year and £105 a month if earning £35,000 a year)
- Interest accruing at a very low rate (no more than 3% + the rate of inflation)
- Loan covering the full amount of course fees, and being paid directly to the college/training centre

However, as part of the survey, respondents were asked whether they would take a course, and take out a loan, under various different conditions (for example, different levels of interest, different repayment thresholds etc). This data is useful for making comparisons between subgroups about people's willingness to take a course and a loan under at least some conditions.

Figures 3.1 and 3.2 overleaf show the proportion of respondents who said they would definitely and probably take a course, and take out a loan under at least some loan conditions, broken down by different subgroups. The proportions here are higher than in table 3.1 because table 3.1 just looks at whether potential learners would definitely, probably etc take a course and take out a loan given the intended loan conditions. There were some loan conditions that were preferred by potential learners (e.g. loans being

interest free), and high proportions of potential learners said they would take a course and take out a loan under these conditions.

As figures 3.1 and 3.2 show, certain groups were a little more likely to be willing to take a course, and take out a loan to fund it:

- Younger people (particularly those in their 20s). There are several factors that could be influencing this: if this age group had gone to university they would have paid tuition fees and they might therefore be more open to the concept of course fees than older respondents; this group are less likely to have dependents (qualitative research showed a greater concern about debt amongst those with dependents); they also have a longer working life ahead of them and therefore more potential benefit in terms of increased earnings from gaining qualifications;
- Asian and Black respondents were a little more likely to say they would take a course and take out a loan than White respondents;
- Those who were unemployed and seeking work at the time of the survey. This ties in with qualitative findings that those who are seeking work (quadrant 3 in the qualitative segmentation) feel a greater impetus to gain qualifications that may help them to find a job.
- Men were a little more likely than women, although this difference was not statistically significant.

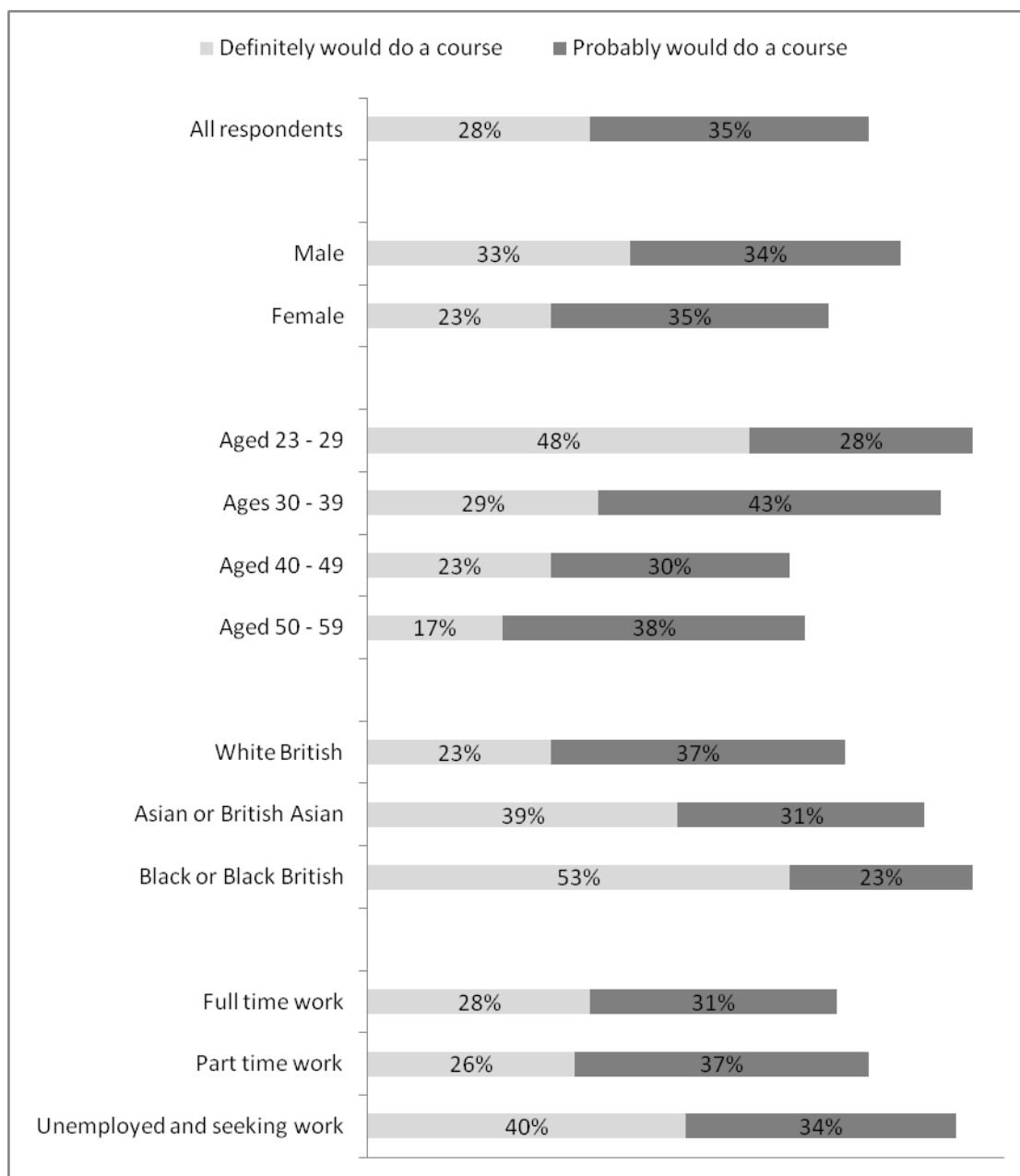
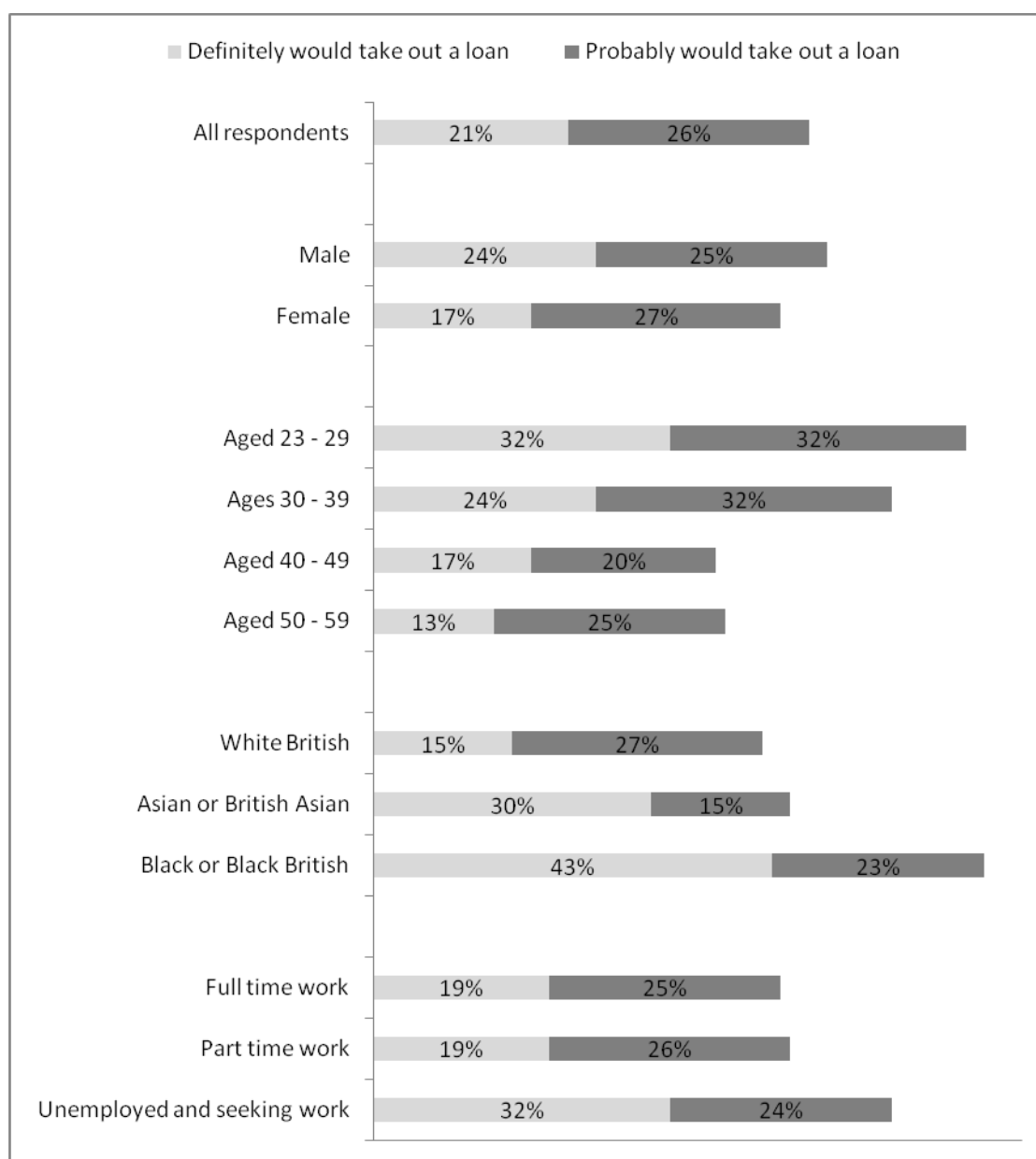
Figure 3.1 - Likelihood of doing a course (under at least some loan conditions)

Figure 3.2 - Likelihood of taking out a loan (under at least some loan conditions)

Lessons on communicating the concepts

To summarise the key findings on attitudes to financing FE:

- The first groups explored initial reactions to FE loans, upon hearing an unrefined message about the loss of subsidies for FE and the introduction of loans
- Introduced in this way, the term 'loan' was strongly associated with bank loans and credit, which resulted in assumptions about the nature of FE loans
- Most respondents were generally averse to this type of loan, and would only consider one in order to purchase something with tangible, lasting benefits

- Motivations for pursuing FE varied, and were not always linked to income; views of the tangibility and certainty of the benefits of FE also varied considerably

In this context, where the FE loans proposition had not been clearly explained and properly understood, it brought the rigid and potentially threatening characteristics of bank loans and credit to mind, and focused people solely on the financial benefits of FE. For some learners (mainly those wanting to progress in their career), those financial benefits were tangible and certain enough to make taking a loan of this type acceptable. For most, however, including those who saw tangible benefits which are not financial (personal esteem, satisfaction, liberation etc), the 'costs' of this commercial-style loan greatly outweighed the perceived uncertain financial benefits offered by FE.

These negative attitudes were therefore overturned in most cases when it was understood that repayment is linked to income, not capital. This information effectively mitigated the perceived financial and emotional costs of the loan, and reduced the impact of the uncertainty around the financial benefits of FE. As a result, the 'cost-benefit calculation' many seemed to make when considering the FE loans proposition became more acceptable. The exception to this was people who continued to find the 'costs' of a loan of any type too high and/or the financial benefits of FE too uncertain – particularly the long-term unemployed who had a more fatalistic and pessimistic outlook than most, and to a lesser extent those looking to consolidate rather than improve their position.

Messages

Introductory messages

Overall reactions

The insight from Stage 1 was used to develop initial messages that aimed to introduce FE loans in such a way as to avoid the immediate negative connotations with loans and debts and reactions described above. These messages included specifics about the income threshold and other aspects. Each was used to introduce FE loans to a roughly equal number of groups; they were as follows:

- *From 2013, higher level college courses for those aged 24 or over will no longer be subsidised by the government. If paying for the course is a barrier to learning, Government is offering loans which you will repay later when your income is high enough*
- *From 2013 higher level college courses for those aged 24 or over will no longer be subsidised by the government. A Government loan will be available if you need help with course costs so you might not have to pay upfront course fees, and you will not have to pay back the loan until you earn over £21,000*
- *From 2013 college courses at Level 3 and above for those aged over 24 will no longer be government subsidised. A Government loan will be available for those who need it, which you will pay back over a number of years after the course, once you earn over £21,000*

Overall, reactions to the loan proposition as introduced by these messages were much more positive than in Stage 1. Key to these comparatively positive responses was the fact that the loan as described was clearly not a bank loan, and did not have to work to counter the negative emotional and practical associations that arose in Stage 1. Many felt it seemed reasonable, as described, but would not come to a definite view without further detail. Younger people tended to be happier with the principle of paying for FE as they expected it to benefit their career.

In general, responses took two aspects of the introductory messages into account: news about the loss of the subsidy for FE; and an introduction to the loan scheme in its place. Few in the qualitative work appeared to have been aware that FE is currently subsidised², but learning of the removal of the subsidy created a sense of loss and annoyance, and this negative frame coloured the introduction to the loan. On the other hand, the idea of the loan itself was positively received when considered separately to the message about the loss of subsidy – and even, on reflection, as a ‘solution’ to the subsidy ‘problem’.

Assumptions about the Government’s motivations for the scheme drove people’s initial reactions to some extent, particularly among those with stronger opinions with no relation to quadrant. Those who saw it in the wider context of the need for government savings

² Quantitative findings suggested that around half of respondents were aware of previous courses they had taken being subsidised by the Government.

were often supportive of the loan proposition, agreeing with the ends they expected it to serve – to cut spending without reducing access to FE.

“It fits into the whole big picture – the country’s got to make savings somewhere, so they’re making a cut-back here; they’re taking subsidies away but they’re still giving people the opportunity. If you want to gain a qualification, you can still go and do that.”

(Male, 24-29, more affluent, move career, Nottingham, Stage 2)

By contrast, those reacting negatively often gave a more class-based analysis of Government agenda, feeling that it ‘penalised’ those who needed support; ‘capping people’s potential’ was taken as a personal and social affront on equality of opportunity.

“They’re targeting people on low wages.”

(Male, 30-39, deprived, consolidating skills, Bristol, Stage 2)

The threshold figure of £21,000 was broadly accepted as reasonable, particularly for those below it. However, there were two main criticisms:

- the income threshold did not appear to account for childcare costs and mortgage repayments – these responsibilities were felt to have a significant impact on affordability of repayment; and
- repayments for those with an income just above the threshold were particularly resented when compared to those on benefits/ not working and receiving the same course for ‘free’.

This second point highlights an issue that cut across all groups and all messages: a tendency to judge the ‘fairness’ of the system and identify people who will ‘do better out of it than me’, even if the situations they envisaged were perverse or unlikely. For example, many commented on the potential for the unemployed to take course after course ‘for free’, and argued that people would try to keep their income below £21,000 simply to avoid having to pay anything back. These may have been knee-jerk reactions, and to some extent prompted by the research focus group setting, but the fact that respondents were so ready to think about others rather than themselves is interesting.

Respondents later reflected that the language in these introductory messages was too negative, and that the phrase ‘will no longer be subsidised’ had implied that there would be no government help for learners. Overall, while they appreciated the transparency about the reasons for change, they argued against its inclusion in introductory messages about the loan.

“It doesn’t sell it because it’s a negative comment – don’t start with the Government is no longer funding...”

(Female, 24-29, more affluent, progress in career, Nottingham, Stage 2)

“Take out that the government is no longer helping you. Because the rest of it is positive”

(Male, currently on apprenticeship, London, Stage 2)

To a lesser extent, the same applied to ‘for those aged 24 and over’ – the reason for keeping the subsidy for younger learners was not made clear, and it made some respondents feel they were being targeted unfairly. When explained, the policy made sense to most; but it took some explanation.

It should also be noted that some respondents were not clear about which courses came under Levels 3 and 4, which has implications for communication of the message.

Sub-group differences

Younger people often reacted badly to the ‘24’ age threshold, questioning why learners who were a little younger than them would benefit more from the policy, while older people were often anchored by the figure and tended to assume the message was geared towards young people, not them.

Older people were also typically more debt/borrowing-averse, and reacted more negatively to the proposition overall. As in Stage 1, older respondents within the ‘route into employment’ group were the most negative, viewing the changes as a clear barrier to study. Positive reactions within this group came from those who were not concerned by ‘debt’ and did not foresee problems repaying the money.

Messages compared

Of the initial messages, those that fared better gave more clarity and certainty about the detail of the loans. Where precise, they were reassuring – the figure of £21,000 was well received. Where vague, people assumed the worst – that they would not be eligible for the loan – and the feeling that information was being hidden engendered suspicion of the motivations behind the plan. As suggested above, however, detail about the *rationale* for loans was not thought necessary, and was detrimental for some.

From 2013, higher level college courses for those aged 24 or over will no longer be subsidised by the government. If paying for the course is a barrier to learning, Government is offering loans which you will repay later when your income is high enough.

The immediate question here was “*what does high enough mean?*” Many also queried the word ‘barrier’ – a term that government would use, not them.

From 2013 higher level college courses for those aged 24 or over will no longer be subsidised by the government. A Government loan will be available if you need help with course costs so you might not have to pay upfront course fees, and you will not have to pay back the loan until you earn over £21,000.

This was the best received message, generally prompting questions rather than concerns. The mention of no upfront fees was key (although the words ‘you might not have to pay...’ did cause concerns about the certainty of this), as was the inclusion of the threshold figure for commencing repayment. Respondents were happier with the phrase used to describe the need for a loan (‘*if you need help with course costs*’) than that in other messages, for two reasons: it was not patronising or ‘government-y’; and it implied that all would be eligible as there was no suggestion of means testing.

To improve the message, respondents suggested removing the negative ‘no longer subsidised by government’, and perhaps using ‘subsidy’ in a more positive way:

“The government is subsidising a loan scheme to help with higher course fees for those studying at Level 3 and above who are aged at least 24.”

(Male, 24-29, deprived, route into employment, Bristol, Stage 2)

From 2013 college courses at Level 3 and above for those aged over 24 will no longer be government subsidised. A Government loan will be available for those who need it, which you will pay back over a number of years after the course, once you earn over £21,000.

Respondents felt that “*those who need it*” sounded patronising, and often took this to mean there was a threshold for access to the loan that would exclude them.

Deciding questions about the loan

As a general rule, questions about repayment (how much per month, interest rates etc) were more salient and immediate than thoughts about the amount that would be ‘borrowed’ to fund the unsubsidised course. Indeed, on seeing these messages the great majority did not really think in terms of ‘borrowing’ a sum of money to cover a fixed cost; they were more interested in and focussed on the experience of paying for their course once it had been completed. Only a small minority of older male consolidators immediately focussed on the overall cost, and the difference that the loss of subsidy was presumed to make; they were more averse to the idea ‘debt hanging over them’ as a result. This has clear implications for the communication of the proposition.

While most people had questions rather than strong views about the likely character of the loan, the same assumptions and uncertainties prevailed across groups. These were ‘deciding questions’ – the key concerns determining the loan’s viability – and they were identical to those that emerged in Stage 1:

- Eligibility criteria: respondents interpreted ‘need’ as a form of means-testing, using income and other personal criteria to assess eligibility. They tended to assume they would not be eligible, so this became a frontline question. Therefore, who qualifies, which courses qualify, and whether a quota on available loans exists were crucial to understanding the personal impact of the loan.
- Repayment terms: when you start to repay it (if the £21,000 threshold was not included in the message); the rate of repayment per month/year; and the length of the period have to repay it were all critical questions. As noted, most were more interested in the immediate experience of repayment than in the overall amount borrowed.
- (Is there a) rate of interest: the rate of interest was one of the first questions asked. Few respondents expected the loan would resemble that from a bank, often assuming it would be very low interest or, less commonly, no interest. However, this question was still critical to perceived affordability and safety, alongside its credibility and ‘fairness’.

Second tier and sub-group questions

A range of other questions were not of decisive importance, or were prioritised by particular sub-groups:

- What the loan would cover: most respondents confidently expected the loan to cover the full cost of course fees. The inclusion of course-related costs, such as for materials and equipment, was a secondary question which was particularly important to the 'route to employment' quadrant and those for whom money was a key barrier to FE. This group also hoped for the inclusion of travel costs, though this was less confidently assumed.
- Repayment in the event of unexpected costs: several younger respondents were concerned they may not always have the money to pay, even if their income came over the threshold. Those with dependents were concerned that in some circumstances their family's needs would take precedence over a loan repayment, and were unsure what position this would put them in. Some respondents without many responsibilities also wondered whether they could incur penalties for failure to repay.
- Passing on unpaid fees: women and older respondents in particular wanted to ensure that an unpaid sum could not be passed on to their children/ wider family in the event of death.

Targeted messages

Messages were read out to respondents, who fed back what they understood each one to mean and how they felt about it, before devising improvements for those that were not understood or well liked. Messages are evaluated below in terms of salience and importance, ease of comprehension, positive or negative reaction and suggested improvements.

Messages for All

The following messages were read to everyone, and are listed by order of importance in respondents' terms:

1) The amount you pay back each month depends on your income, not how much the course costs. You repay 9% of your income above £21,000. So, for example, if your salary was £25,000, the 9% would only apply to £4,000 meaning you would repay £30 per month.

The most salient and important message, this was considered top-level, essential and encouraging information. Respondents saw the level of monthly repayment as low and surprisingly manageable; it reassured those who had worried about large figures, and was likened to income tax (in a good way – the emphasis was on relatively small monthly payments rather than the capital). The content was widely understood, after re-reading in some cases. Though sometimes thought a little long-winded, the example was clear and helped comprehension of a reasonably complex concept. Indeed, such illustrations or case studies were often called for elsewhere to explain complicated messages.

After reading, questions remained about what would happen in the event of unexpected costs. The message also posed questions for those with income fluctuations across the year – they believed that in certain months it would be difficult to pay however the income was calculated. If repayment was based on an annual average, this could create problems in times of lower income; while an accurate percentage of the monthly income would also be unhelpful, as ‘rich’ months constituted the savings for harder periods. This posed the question: how would income be calculated to accommodate variable earnings, and support these approaches to budgeting?

*“I’d hope that you could defer it, because otherwise it could all spiral out of control.”
(Male, 24-29, deprived, route into employment, Bristol, Stage 2)*

Few respondents thought changes to the message were necessary. *“If you earn more than £21,000 the 9% would only apply to the amount above this”* was suggested to simplify communication of the concept, but for many it was the illustration that made the low level of monthly repayment clear. Conversely, a few respondents suggested expanding the example with a table showing various course fees, income levels and calculated years for the repayment period.

2) You can get a loan to cover the cost of your course, which you only start to pay back when you are earning over £21,000 a year.

This was a very positively received message which made sense to people. The fact it was seen to show the key attributes of the proposition was useful, distinguishing it from a bank loan, and the tone was direct. It was seen as a good alternative to the initial headline messages, as it avoided mention of the subsidy and age bracket and struck the right note.

*“It sounds more encouraging than anything else.”
(Female, 24-29, deprived, consolidating skills, London, Stage 2)*

To make it work as a general introductory message, respondents suggested adding information on the time allowed for repayment.

3) If you take a loan, it will help you cover any upfront fees for an FE course.

This was also a key message, of particular importance to the unemployed but gaining broad approval as it suggested the loan is intended to widen access to FE. Respondents found the content positive, the language simple and direct. Those who had not already seen a reference to *‘no upfront payment’* or inferred this from other messages were strongly influenced by this.

A few negative responses were based on the feeling that, taken alone, this message appeared as a ‘selling tactic’ and seemed to mask caveats and important details that were less appealing. To prevent this, respondents suggested the content would be better placed within a wider message containing other information.

*“What does this cover?...it needs to be a bit clearer.”
(Male, 24-29, more affluent, moving career, Nottingham, Stage 2)*

4) If for any reason your income falls below £21,000 – such as a career break or unemployment – your repayments will automatically be suspended and only start again when you earn over £21,000.

This was an essential, reassuring message for respondents, supporting the introductory information on the threshold for repayment. All content was easily understood; the 'safety net' had already been inferred by some, but had not occurred to many respondents, and once heard it constituted a key benefit of the scheme. Women considering starting families found it most relevant, though it was important for all. It was this assurance of protection which dissociated the loan from those at banks, which held threats of entrapment in debt and poverty.

*"Brilliant...it's a safety net, if you become redundant or something happens."
(Male, 24-29, deprived, moving career, Nottingham, Stage 2)*

The key addition requested was an assurance that interest did not accrue during periods of suspension of repayment.

*"You don't need to worry if you stop to have a family – it would definitely encourage you to take the loan."
(Female, 24-29, deprived, route into employment, Asian/Pakistani, Bradford, Stage 2)*

5) Loan repayments will be lower than for a loan from the bank with interest charged at inflation plus up to 3 %.

This was an important message as it responded to front-of-mind concerns, but the two main points within it were met with contrasting reactions. Respondents easily understood the first part of the message, that '*loan repayments will be lower than a loan from the bank*': they strongly approved, and as it chimed with their focus on the monthly experience seemed able to take the assertion at face value. Most felt this aspect should be emphasised.

The second part of the message caused wide confusion, however, and often undermined confidence in the first part. There were suggestions for changes to both wording and policy. While the term 'inflation' was only vaguely understood, it was associated with fluctuations; the potential for unpredictable impacts on the rate of interest was unsettling and resulted in discomfort with this uncertainty. The term was seen as scary and unclear, rather than open and direct.

*"What is inflation?" "Anything about the government and inflation just puts me off."
(Females, 24-29, more affluent, progress in career, Nottingham, Stage 2)*

Presenting inflation alongside a 3% rate 'masked' the 'true' percentage rate of interest, and respondents struggled to envisage an example in a given year. Similar issues were observed in the quantitative study where respondents showed a strong aversion to interest accruing and a lack of understanding of what the actual rate was. 'Up to 3%' was generally assumed to mean 3% for everyone in reality: few correctly guessed that this would be calculated according to a sliding scale, but the ambiguity caused annoyance. 3% was also

taken to imply that Government may profit from the scheme, which was strongly rejected as a principle.

“They are making money on us? That’s not fair.”
(Male, 50-64, deprived, route into employment, Rochdale, Stage 2)

Connecting the two parts of this message also cast doubt on the claim that repayments would be low. Many believed that fluctuating interest would mean fluctuating monthly repayments – especially given the link to the first part of the message. This was worrying in itself, and made respondents wonder how the claim that repayments would be lower than from a bank could be made with such certainty.

Improvements were suggested, but none of these gave the same information in a more comprehensible form. It was hoped to be easier to understand, and accept, if a single figure was given – though respondents expected this would be hard to predict. Several groups requested case examples, to give a sense of the amount paid over the course of repayment.

“I can’t visualise this. I need a real example.”
(Female, 30-39, more affluent, consolidating skills, Bristol, Stage 2)

Hearing about the sliding scale did alter respondents’ opinions of this aspect of the loan, but nobody volunteered solutions for communicating this concept. Respondents also sought clarification as to whether interest accrued before repayments began, suggesting: ‘Interest does not apply until you start making repayments’ should ideally be added.

6) The process is simple, there is no credit rating check and once you’ve applied for the loan you don’t need to do anything to pay the course fee, or to organise repayments it is all organised for you.

This message resonated most with the ‘route into employment’ quadrant, but was considered useful for everyone, and the ‘organising’ aspect was a relief.

“That’s one less thing to worry about.”
(Female, 30-39, more affluent, consolidating skills, Bristol, Stage 2)

However, several younger groups expressed some scepticism of the ‘sales’ tone of the message, which they felt made it untrustworthy.

“It’s too sales-y. Sounds like a daytime TV advert. I don’t trust it”
(Female, 24-29, more affluent, progress in career, Nottingham, Stage 2)

While respondents felt the lack of a credit rating check was fair and inclusive, it did raise questions about losses the government could make by including those with poor credit ratings.

7) In the current economic climate the Government is focusing funding on those less qualified and most in need, such as those with basic skill needs, a lower level of qualifications and in the younger age groups. The Government is subsidising a

loan scheme to help with higher course fees for those studying at Level 3 and above who are aged over 24.

Few respondents felt this message increased their support for FE loans, and although the reference to 'economic climate' and a rationale for changes was acknowledged to be relevant, the message did not resonate. Most people preferred not to focus on the fact they were beyond a funded age bracket, and it made younger respondents slightly rueful.

*"Everyone is most in need these days – it makes them feel not very good."
(Female, 40-49, deprived, moving carer, Bradford, Stage 2)*

In structure, respondents found the message too long and too vague in its key point. The language of 'levels' was not always familiar, and the term 'subsidy' was associated with permanent donations so considered misleading in this context.

Quadrant targeted messages

In addition to messages describing aspects of the loans, respondents were shown a range of 'motivational' messages designed to remind them why FE is worthwhile (even if you need to take a loan to cover it). These messages were targeted at different quadrants, on the basis of insight from Stage 1.

Reactions to the messages were mixed. Overall they seemed well targeted, with most respondents recognising messages that applied to their situation even if they did not appreciate the sentiment behind them. Responses depended on two factors: whether they were seen as 'salesy', 'patronising' or 'motivational' (this could go either way); and whether they 'rang true'.

An FE course gives you the skills that you need to develop professionally (PROGRESS)

This was the most positively received of the messages for this quadrant. The word 'professional' was associated with training and practical application; the message was less personal than many, and older respondents were glad it had no 'self-betterment' language. However, the tone still grated with younger people, who were particularly conscious of being patronised.

*"It sounds like it's aimed at really young people on the streets. The wording is patronising and simple. I have felt this all the way through, I am a bit more worldly now I am older."
(Female, 24-29, more affluent, progress in career, Nottingham, Stage 2)*

An FE course can help prove your worth, giving you the qualifications you need to progress in life. (PROGRESS; CONSOLIDATION)

Many found 'prove your worth' to be patronising, and were sensitive to the term 'worth'. Improvements were suggested: 'A Further Education course can help you increase your potential to further your choices in life.'

An FE loan will help you to access the course you need to help you progress further and study a degree. (PROGRESS)

Only a small proportion of respondents in the 'progress' groups felt this message was relevant to them, and it was criticised for over-claiming – implying a certainty of outcome that people did not feel existed.

An FE loan will help you to access the course you want to do, gain new skills and get that job you've always wanted (CHANGE CAREER)

'*That job you've always wanted*' was too familiar and aspirational for many respondents, and seen to promise too much. The tone was often likened to a 'sales pitch', prompting scepticism about the honesty of the messenger. This was not helped by the fact that it seemed to suggest that the loan will help you gain new skills etc (rather than the course).

Though the content had some value among the 'route into employment' group as a motivational message, they suggested qualifying the claims with words like 'help', 'improve', 'could' and 'potential'. As with other messages, respondents disliked the term 'FE'.

"It makes it sound so easy....but there's no guarantee you'll get a job straightaway – you're giving people false hope."

(Male, 24-29, more affluent, moving career, Nottingham, Stage 2)

An FE course gives you the knowledge and qualifications you need to embark on a more fulfilling career (CHANGE CAREER)

This message appealed to a small niche of the moving career group, who sought affirmation of their motivations for returning to study. Others felt this was obvious or unnecessary to convey.

If you have not paid the full loan back after 30 years, any outstanding repayments will be written off. (JOBSEEKER)

This message had little relevance to any group and prompted amusement at the prospect of repayment over 30 years. Older people did query whether the loan was still payable in retirement, and whether the loan 'died with you' was a common query for many respondents, but this message did not answer either question.

An FE qualification is evidence of your skills and improves your chances of getting a job (JOBSEEKER)

This message divided age groups slightly – some older groups objected to the idea they needed 'evidence' (although some certainly recognised this as true, whatever they thought of it), but younger groups generally found the message helpful. A suggested improvement to brighten the tone was: "*Further education is a path to a new career that betters your chances of gaining employment.*"

Issue for Apprenticeships

Respondents who were currently on or considering Advanced Apprenticeship schemes were the best source of insight into the issues explored. Although all the wider group were considering courses classified as Advanced Apprenticeships, not all were aware of or certain about this classification, which limited the value of a separate sampling approach. Their circumstances were broadly similar to the wider sample, too: a mix of those who expected to pay for courses themselves and those who sought employer funding; and a mix of those whose courses occurred at college and on site at their workplace. Their motivations spanned across the four quadrants. Overall, therefore, much of the data gleaned from these individuals reflected that of the wider sample.

Most respondents who were considering Apprenticeships were not expecting their employers to pay for the course if they chose to enrol. They expected it to be hard to convince employers to fund their study, on the basis that this would only help the employer if the qualification increased the charge-out rate of an employee, or the type of position that they could take – and this was rarely the case.

“I don’t think work would pay anyway, I am doing it for my own benefit – it’s not going to enhance my earning potential for them.”
(Male, currently on apprenticeship, London, Stage 2)

However, the personal benefits of the course were a reason for self-funding, and no respondents felt they were doing a course solely for their employer.

“They may possibly tell me I would have to pay alone. But it is something I want to do for myself and there will be benefits for me, so I don’t care – it’s not for the company.”
(Male, currently considering apprenticeship, London, Stage 2)

Reactions to the loan proposition reflected those of other groups overall. Given the low expectations about employer funding, respondents did not feel that the changes would affect them particularly badly. There was very little faith that companies would pay increased course fees; and the few employer-funded Apprentices did not expect their employer to match the raised fee either.

“My employers are currently part paying it, they now probably wouldn’t do that ... I wouldn’t do the course, its 50% more money I don’t need to be paying out at the moment.”
(Male, currently on apprenticeship, London, Stage 2)

Some respondents anticipated that the changes due to cost would decrease the proportion of people who chose to study, and expected this would have negative impacts on employers.

“As an employer I would be disappointed. Less people would be doing it, so you will have a less qualified workforce.”
(Male, currently considering apprenticeship, London, Stage 2)

The key difference in Apprentices' responses to messages was the popularity of the term 'professional', in the message *"An FE course gives you the skills that you need to develop professionally."*

*"That's better – that suits me from what I have been doing. It's more realistic."
(Male, currently on apprenticeship, London, Stage 2)*

Issues for learners with learning difficulties or disabilities (LLDD)

A small number of LLDD respondents were included in the research. They raised several issues pertaining to FE loans, from the perspective of an LLDD prospective student:

Eligibility: Particular interest in how eligibility for the loan would be assessed – would those with specific needs benefit/ lose out in this. The words *'a loan will be available for those who need it'* was a source of ambiguity. Specifically, respondents were interested in whether the extent of a person's need could influence the level of assistance that they got.

Entitlements: what would the loan provide for? Would the total allowance include expenditure on equipment such as specialist laptops for those with dyslexia, to provide for their specific needs?

Comprehension: respondents found the more technical messages, such as those describing interest on the loan and percentage repayments as a proportion of salary, particularly difficult to understand. They recommended that alternative wordings be found to explain these concepts, and that less detail is included on the same message.

Conclusions

What is the likely impact on participation?

Overall the research shows that 74% of those likely to study at Level 3 aged 23+ said that they at least might take a course, and just over half (58%) at least might take out a loan to do this.

This 74% was made up of 11% of potential level 3 learners who said they would *definitely* take a course if course fees and loans were introduced, a further 26% said they would *probably* take a course, and a further 37% who said they *might* take a course. This was after only a small amount of explanation about fees and loans and so could potentially be increased with the help of the stage 2 qualitative findings (which took place after the survey) around messaging which are set out in this report.

The survey shows that those in the younger age groups (24-29), Asian and Black respondents, and those unemployed and seeking work were more likely than average to say they would still study and take up a loan under at least some circumstances. Attitudes to debt did not appear to be strongly linked to attitudes to loans and women were only marginally less (statistically insignificant) likely to say they would take a course than men.

From the evidence in our findings, the groups at greatest risk of being deterred from study are older groups who are debt-averse and who are wary of a return to an education system that they do not feel is geared towards them. They were less inclined to see FE as an 'investment' in themselves and their future, and thus more concerned about taking on debt in order to fund it; they were also more likely to object to paying for education on principle. Thus rather than seeing loans as giving them access to something positive, they focussed on 'loss' and gave up on the idea altogether. To mitigate this, perhaps communications for these groups need to subvert the idea that one is depleting rather than accruing assets by undertaking FE. This could involve communicating the idea that there is no 'loss' involved, and that FE and FE loans supports, rather than challenges, the goal of a comfortable retirement and later life.

What are the risks and how can they be mitigated?

The first stage qualitative research showed that if the FE loans proposition was given 'cold' with few of the key details it brought bank loans and credit to mind, with a risk of significant negative impact on participation, particularly with courses that do not offer more or less certain financial returns and learners who do not perceive these returns.

However, when the facts around the link between income and repayment are communicated clearly and immediately, that repayments are low and affordable and that this is a loan from government and not a bank, this research suggests the reaction was much more positive and the impact on course take-up would be greatly reduced. There were few associations with bank loans or debt burden in the Stage 2 research, which is a clear demonstration of the impact that the right initial framing can have on the effectiveness of communications.

Key messages for communications

The sum total of the course cost was not a central question for the great majority of respondents. Given the limited knowledge of current course costs, it may not be helpful to emphasise the change in price at all, in any first or second tier information. People need to know the actual cost of their course, and it was natural that respondents would ask this question – but unless there is a unilateral increase in proportionate cost, it would be ineffective to provide generic messages on this as costs must vary considerably. This may be better left for specific communications about a given course.

The core questions people had (income threshold, repayment levels, eligibility) need to be answered upfront as early as possible, alongside the reassurance that repayments cease when income dips below the threshold. No upfront costs are also seen as a key benefit of loans, and should be communicated early on. All these elements can be distilled into a couple of introductory sentences, and could replace the current initial messages that refer to an end to the government subsidy.

The final piece of core information – interest rates – is more problematic. This is an important aspect of the loans proposition, and questions about it arise spontaneously; but the arrangements are difficult to communicate succinctly.

The ‘benefits’ messages often generated negative responses because they were read as part of the communication about the loan, and therefore viewed as ‘sales’ of a financial product. If they were communicated separately as a more general encouragement to study FE, rather than in conjunction with the offer of a loan, the messages that resonated may play much more effectively.

Appendix

Quantitative survey

Sampling

The 2010/2011 ILR was used as the sample frame. It was limited to only include people aged 23 to 64 who had completed a full level 2 course in the 2010/2011 academic year. This left a sample frame of 278,795 individuals.

The sample frame was then stratified by age, IMD score, gender and ethnicity, and a simple random sample was selected from within each strata. Certain strata were disproportionately oversampled. This was so that the following groups would be overrepresented in the selected sample:

- People with high IMD scores - an aim of the research was to see if the introduction of loans would disproportionately affect economically disadvantaged people so it was important the final sample would include enough of these people to determine whether there were differences between them and more affluent learners;
- Asian (particularly Pakistani) people - previous research has shown that Muslim people tend to be against the idea of debt and loans. The ILR does not include religious affiliation, but does include ethnicity so a relatively large sample of people whose ethnicity would make them likely to be Muslim were selected in order that there would be enough Muslims in the final sample to determine if there were differences between Muslims and non-Muslims in their attitude to FE loans;
- Younger people – younger people are generally less likely than older people to take part in surveys and were therefore slightly over-selected so that the final sample would be representative in terms of age.

Initially, a sample of 6,250 individuals was selected from the ILR. However, response to the survey was lower than expected, so an additional sample of 6,000 individuals was selected (using the same sampling criteria).

Survey invitations and reminders

The 2010/2011 ILR does not include email addresses, so the selected sample were sent letters that include the web survey address and their unique password for entering the survey.

Batch 1 (6,250 individuals) were sent an initial invitation letter on 10th November 2011 and a reminder letter on 17th November 2011.

Batch 2 (6,000 individuals) were sent an initial invitation letter on 28th November 2011. After this response was still low, and it was deemed that reminder letters were unlikely to be very successful in improving response. Most of the learners on the ILR have telephone numbers, so these were used to conduct a telephone reminder stage. Telephone interviewers called the individuals and asked them to complete the web survey; they also asked them for an email address so that they could be sent an invitation email for the

survey containing the web link and their password. Emails were then automatically dispatched by the CATI programme. The telephone reminder stage was conducted between 14th December and 23rd December 2011. In addition, for those that did not complete the web survey after the telephone reminder, two additional email reminders were sent on 28th December 2011 and 5th January 2012.

The web survey closed on 9th January 2012.

Response

In total, the web survey was completed by 405 people (156 from the batch 1 sample and 249 from the batch 2 sample). An additional 157 people started the web survey, but were screened out by initial screening questions that checked respondents were the right age, and asked whether they were considering doing some further learning - those that were not considering (or already doing) further learning were screened out of the survey.

This means the survey response rate was 5% ($405 + 157 = 562$ people attempted to complete the survey, out of the 12,250 invited to do so) and the eligibility was 72% (157 of the 562 people that attempted to complete the survey were eligible).

To assess the response bias, analysis was undertaken to compare the profile of the interviewed sample with the profile of the selected sample and of the sample frame on the following measures:

- Age
- Ethnicity
- IMD score
- Gender
- Government Office Region

This analysis showed no serious bias between the sample frame, the selected sample and the sample of 405 respondents, as shown in the table below.

Appendix Table 1: Sample profile			
	Profile of eligible sample on ILR	Profile of selected sample	Profile of interviewed sample
Age (on 31st Aug 2011)			
23 – 29	24%	30%	24%
30 – 39	28%	28%	27%
40 – 49	29%	26%	27%
50 – 59	17%	14%	20%
60 or more	3%	2%	2%
Ethnicity			
White	83%	68%	69%
Asian or Asian British	8%	22%	18%
Black or Black British	6%	7%	9%
Mixed race	2%	2%	1%
Other	2%	2%	3%
Banded IMD score			

Appendix Table 1: Sample profile

	Profile of eligible sample on ILR	Profile of selected sample	Profile of interviewed sample
0 – 10 (least deprived)	16%	13%	19%
Over 10 – 25	38%	31%	31%
Over 25 – 40	25%	25%	23%
Over 40 (most deprived)	22%	31%	27%
Gender			
Male	52%	54%	43%
Female	48%	46%	57%
Government Office Region			
North East	7%	6%	4%
North West	16%	17%	16%
Yorkshire and the Humber	10%	10%	9%
East Midlands	10%	9%	8%
West Midlands	14%	16%	16%
East of England	9%	8%	9%
London	13%	15%	17%
South East	11%	11%	11%
South West	9%	8%	10%

Weighting

There were some minor differences between the eligible ILR database and the interviewed sample on the following measures:

- Gender
- IMD score
- Ethnicity

Rim weights were applied to the data to correct for this.

Data modelling

Survey data was used to conduct a conjoint analysis to examine the relative importance of different loan attributes in potential learners' decisions of whether or not to take a course/take out a loan, and also learners' preferences for different loan conditions. This was used to test:

- The benefits of the course (employment related benefits vs personal interest only)
- The rate of interest (no interest vs 3% + inflation)
- Rate of repayment (small proportion of earnings vs set monthly amount irrespective of earnings)
- When the loan repayments start (when course finishes, when working, when earning over £18,000, or when earning over £21,000)

- How course fees are paid (loan paid directly to college/training centre vs loan paid to learner who then pays fees).

Stage 1 qualitative sample

Group	Age	Gender	Location	Current application status	Level	Ethnicity	Location
1	24-29	Male	Deprived	Actively considering	3		Nottingham
2				Contemplating	3	-	London
3			More affluent	Recent starters	3	-	Bristol
4		Female	Deprived	Recent starters	3		Newcastle
5				Contemplating	3	Asian Pakistani	Bradford
6			More affluent	Actively considering	4		Brighton
7	30-39	Male	Deprived	Recent starters	3	-	Bristol
8				Contemplating	3	-	Rochdale
9			More affluent	Actively considering	4	-	Brighton
10		Female	Deprived	Actively considering	3	-	Newcastle
11				Recent starters	3	Black African / Afro-Caribbean	London
12			More affluent	Contemplating	3	-	Nottingham
13	40-49	Male	Deprived	Actively considering	3	-	Bradford
14			More affluent	Contemplating	3	Asian Indian	Bristol
15		Female	Deprived	Contemplating	3	-	Rochdale
16			More affluent	Actively considering	3	-	Nottingham
17	50-64	Male	Deprived	Contemplating	3	-	Nottingham
18		Female	Deprived	Actively considering	3	-	Bristol

Stage 2 qualitative sample

Group	Age	Gender	Location	Quadrant (Reason for study)	Level	Ethnicity	Physical disability	Location
1	24-29	Male	Deprived	Route into employment	3		Sensory and mobility issues – ranged across groups (at least 1/8 respondents with a disability (6 achieved across the sample)	Bristol
2		More affluent	Move into new career/job	3	-	Nottingham		
3		Female	Deprived	Increase job security/consolidate skills	3			London
4				Route into employment	3	Asian Pakistani		Bradford
5			More affluent	Progress in chosen career	4			Nottingham
6	30-39	Male	Deprived	Move into new career/job	3	-		London
7				Increase job security/consolidate skills	3	-		Bristol
8			More affluent	Route into employment	4	-		Brighton
9		Female	Deprived	Progress in chosen career	3	-		Rochdale
10				Move into new career/job	3	Black African Afro - Caribbean		Bristol
11			More affluent	Increase job security/consolidate skills	3	-		Bristol
12	40-49	Male	Deprived	Route into employment	3	-		Leeds
13			More affluent	Move into new career/job	3	-		Leeds
14		Female	Deprived	Move into new career/job	3	-		Bradford
15			More affluent	Increase job security/consolidate skills	3	-		Brighton
16	50-64	Male	Deprived	Route into employment	3	-		Rochdale
17		Female	Deprived	Progress in chosen career	3	-	Newcastle	
18	All respondents to be considering studying or currently studying an apprenticeship							London
19	All respondents to be considering studying or currently studying an apprenticeship							London

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